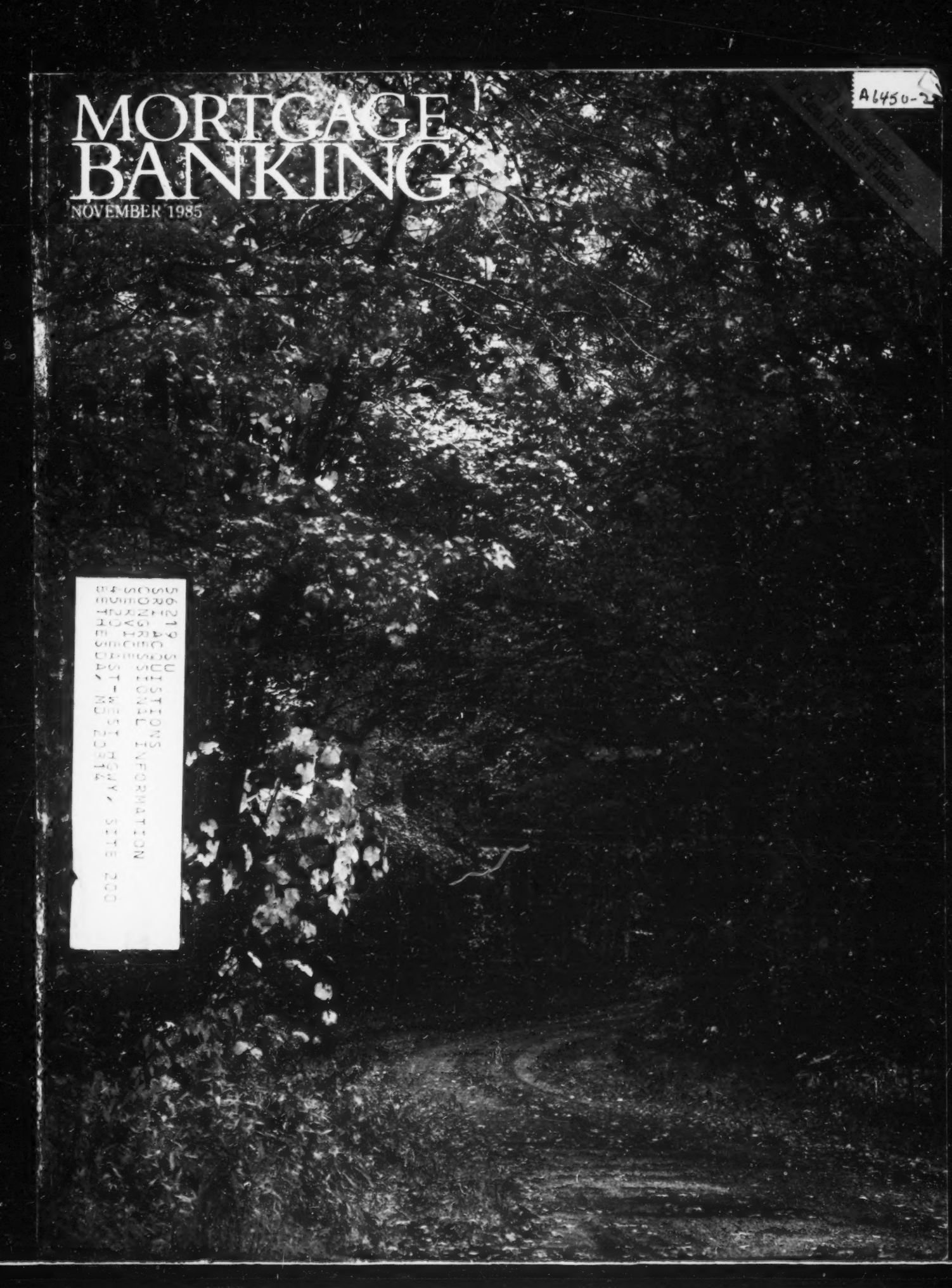
# MORTGAGE BANKING

NOVEMBER 1985



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# MORTGAGE BANKING

VOLUME 46 NO. 2
NOVEMBER 1985

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**A TALK WITH RON POE**
Newly installed MBA President Ron Poe outlines his major initiatives for the coming year in this candid interview. MBA will focus on internal and external quality control and launch the Comprehensive Educational Program, which will create an orderly curriculum for professional development through educational programs sponsored by the Association. Mr. Poe gives his views on the future of the real estate industry.

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**PRICING MORTGAGE-BACKED SECURITIES IN THE FORWARD MARKET**
*Susan D. Mara*
Forward delivery transactions in the mortgage-backed securities market can be useful and even profitable for the market participants involved. But this author points out the necessity to consider all of the factors involved that affect the implied cost of carry implicit in these trades and the sensitivity of this cost to the specific conditions of each transaction.

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**MORTGAGE BANKING AUTOMATION: A MATURING INDUSTRY**
*Ina S. Bechhoefer*
The mortgage lending industry, once skeptical of automating, now uses computers in all phases of the business. They have become a major necessity to compete effectively and survive industry changes. This author explores the significance of Fannie Mae's entrance into the software industry.

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**COOPERATIVES: SHARED OWNERSHIP IN 1985**
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**SMALL BUSINESS DEVELOPMENT AND THE ROLE OF THE MORTGAGE BANKER**
*Brian Cooney*
Small businesses do not have access to the long-term capital markets through ratable debt securities. Because their growth contributes significantly to national growth and the creation of jobs, the reduced availability of long-term credit for small business has major implications for the future of the nation's economy. The SBA developed Section 503 loan program to cope with the problems in obtaining long-term credit.

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**THE LAST WORD (MORTGAGE PREPAYMENT PENALITIES DOWN BUT NOT OUT)**
*C. Duane O'Neal*
The use of prepayment penalty provisions in mortgage contracts are becoming increasingly vulnerable to attack and criticism by courts and federal statutes. The author explains some of the factual and legal considerations that enter the equation to determine the legal liability of a lender to apply what appears to be a contractual right.

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# MORTGAGE MARKET TRENDS

Continued strength in the housing sector, combined with an increase in the rate of inventory accumulation and possible improvement in the trade deficit, may generate moderately strong but not robust growth in the fourth quarter. The 3.3 percent annualized rate of growth of real GNP in the third quarter could carry over into the fourth quarter before tapering off somewhat in the first half of 1986.

The third quarter ended with a surge in retail sales. Seasonally adjusted, the September 1985 retail sales figure was 2.7 percent higher than the previous month and 10.9 percent over September of last year. Record auto sales, spurred by dealer discount financing, accounted for most of the growth. Excluding the automotive group, retail sales changed only slightly from August but were 4.8 percent above last year's level.

For several reasons, this burst of consumer spending is not likely to continue nearly as strong. Lower than normal auto sales can be expected after dealer discount financing, which induced many to move up their purchasing plans, is discontinued. Actually, the first 10 selling days of October saw an abrupt drop. In addition, the unusually low third quarter personal savings rate of 2.9 percent, (which was partly related to strong auto sales), together with consumer installment credit outstanding at a relatively high 15.9 percent of personal income, presage a pause in spending as consumers replenish their savings and pay off debts. However, consumers remain quite confident. They express strong buying plans in attitudinal surveys and they are relatively liquid so that no dramatic falloff in consumer spending is expected.

Inventory accumulation was negative in real terms in the third quarter, reflecting liquidation of auto stocks. Outside of autos, inventories are in reasonably good balance with sales. Therefore, rising inventory investment should be offsetting weak consumer spending.

The merchandise trade deficit, which exerted a persistent drag on economic growth in the first half, may now be in the process of stabilizing which third quarter statistics on GNP suggests. A major improvement in this sector cannot be expected until at least a year after a substantial decline in the value of the dollar occurs.

Business investment is likely to be weak in the near term. Nonresidential, fixed investment in real terms fell 4.7 percent in the third quarter at an annualized rate. Also, recent survey results indicating business' reduced spending plans for plant and equipment are borne out by the recent weak figures for contracts and orders for plant and equipment.

Inflation is not expected to worsen in the near term. Both the consumers and producers price indices have shown very moderate growth in recent months. The current move to lower the value of the dollar in international markets, if successful, will result in higher prices for imported goods. However, this is likely to be offset to some extent by an expected late winter decline in oil prices and strong productivity gains in the manufacturing sector. In addition, foreign producers may be willing to lower profit margins to maintain market share.

The Federal Reserve, which has followed an accommodative policy through much of the year, letting M-1 consistently exceed its target range since setting its new targets, is unlikely to tighten significantly until the economy shows clearer signs of sustained growth. Thus, interest rates are likely to remain near their present levels through the first half of 1986.

The housing sector, a source of strength in the economy over the course of the past year, is likely to remain relatively strong. Construction spending rose to $344 billion in August at a seasonally adjusted annual rate, a 7 percent increase over a year ago. While the general unemployment rate rose slightly in September, 40,000 jobs were added in the construction sector, sustaining a pattern of vigorous growth that totalled 370,000 over the year. Although housing starts fell 9 percent in September, building permits were up slightly, so that activity in housing is expected to remain near current levels.

Existing single-family home sales rose 9.2 percent in August to a seasonally adjusted 3.43 million units, their highest level since 1979. Even though new single-family home sales fell 6 percent from the higher than expected July figure, the 705,000 units sold at a seasonally adjusted annual rate still represents a strong showing. With contract rates on fixed-rate mortgages expected to remain in the 12 to 12.5 percent range into the second half of 1986, home sales are likely to continue their healthy pace.

**Dr. Victor Cholewicki**
*Assistant Economist*
*October 17, 1985*

# HOUSING ACTIVITY

## RESIDENTIAL STRUCTURES, BY UNIT TYPE

(Units in thousands)

| YEAR AND MONTH | HOUSING STARTS | | | | | | PERMITS 17,000 ISSUING PLACES | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Actual | | | Seasonally Adjusted Annual Rate | | | Actual | | | Seasonally Adjusted Annual Rate | | |
| | Total | 1-4 Units | 5+ Units | Total | 1-4 Units | 5+ Units | Total | 1-4 Units | 5+ Units | Total | 1-4 Units | 5+ Units |
| 1985 | | | | | | | | | | | | |
| APR | 175 | 118 | 57 | 1,933 | 1,268 | 665 | 160 | 105 | 55 | 1,704 | 1,066 | 638 |
| MAY | 170 | 118 | 52 | 1,681 | 1,148 | 533 | 171 | 109 | 62 | 1,778 | 1,064 | 714 |
| JUN | 163 | 110 | 53 | 1,701 | 1,123 | 578 | 156 | 100 | 56 | 1,712 | 1,091 | 621 |
| JUL | 160 | 114 | 46 | 1,663 | 1,148 | 515 | 158 | 103 | 55 | 1,694 | 1,088 | 606 |
| AUG | 162 | 110 | 52 | 1,746 | 1,168 | 578 | 159 | 101 | 58 | 1,784 | 1,117 | 667 |
| **SEP$_P$** | **145** | **96** | **49** | **1,583** | **1,042** | **541** | **166** | **93** | **73** | **1,796** | **1,066** | **730** |
| 1983 TOTAL | 1,703 | 1,181 | 522 | | | | 1,605 | 1,035 | 570 | | | |
| 1984 TOTAL | 1,750 | 1,206 | 544 | | | | 1,682 | 1,065 | 617 | | | |
| 9 MONTHS | | | | | | | | | | | | |
| 1985 | 1,322 | 902 | 420 | | | | 1,328 | 840 | 488 | | | |
| 1984 | 1,372 | 943 | 429 | | | | 1,315 | 844 | 471 | | | |
| 1983 | 1,300 | 918 | 382 | | | | 1,229 | 800 | 429 | | | |
| 1982 | 760 | 540 | 220 | | | | 711 | 452 | 259 | | | |

## RESIDENTIAL STRUCTURES BY REGION

(Units in thousands)

| YEAR AND MONTH | STARTS | | | | | | | | PERMITS 17,000 ISSUING PLACES | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Actual | | | | Seasonally Adjusted Annual Rate | | | | Actual | | | | Seasonally Adjusted Annual Rate | | | |
| | North East | Mid-West | South | West | North East | Mid-West | South | West | North East | Mid-West | South | West | North East | Mid-West | South | West |
| 1985 | | | | | | | | | | | | | | | | |
| APR | 26 | 22 | 80 | 48 | 293 | 247 | 874 | 519 | 24 | 22 | 71 | 43 | 258 | 223 | 760 | 463 |
| MAY | 25 | 29 | 72 | 45 | 237 | 257 | 744 | 443 | 28 | 27 | 72 | 45 | 267 | 263 | 784 | 464 |
| JUN | 27 | 27 | 67 | 42 | 284 | 239 | 737 | 441 | 26 | 25 | 64 | 42 | 275 | 254 | 743 | 440 |
| JUL | 23 | 23 | 70 | 44 | 208 | 217 | 783 | 455 | 23 | 26 | 66 | 43 | 238 | 256 | 754 | 446 |
| AUG | 25 | 25 | 66 | 44 | 230 | 241 | 751 | 524 | 25 | 25 | 65 | 44 | 266 | 259 | 770 | 489 |
| **SEP$_P$** | **24** | **23** | **60** | **38** | **224** | **229** | **693** | **437** | **26** | **24** | **65** | **51** | **251** | **227** | **754** | **564** |
| 1983 TOTAL | 168 | 218 | 935 | 382 | | | | | 164 | 188 | 863 | 390 | | | | |
| 1984 TOTAL | 204 | 243 | 866 | 436 | | | | | 201 | 212 | 812 | 457 | | | | |
| 9 MONTHS | | | | | | | | | | | | | | | | |
| 1985 | 182 | 181 | 596 | 363 | | | | | 198 | 180 | 576 | 374 | | | | |
| 1984 | 146 | 187 | 692 | 347 | | | | | 148 | 162 | 642 | 364 | | | | |
| 1983 | 129 | 166 | 712 | 293 | | | | | 125 | 143 | 664 | 298 | | | | |
| 1982 | 84 | 107 | 425 | 144 | | | | | 75 | 91 | 386 | 157 | | | | |

## HOUSING ACTIVITY (Cont'd.)

| YEAR AND MONTH | HOUSING SALES (Units in thousands) EXISTING HOUSES[1] | NEW HOMES Sold | NEW HOMES Available For Sale | NEW HOMES Months Supply at Current Rate | VALUE OF NEW CONSTRUCTION PUT IN PLACE (Dollars in millions) Seasonally Adjusted Annual Rate Total | 1 Unit | 2+ Units | Non-res. | CONSTRUCTION STATUS (Units in thousands) Under Construction Total | 1-4 Units | 5+ Units | Completions Total | 1-4 Units | 5+ Units |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1985 | | | | | | | | | | | | | | |
| MAR | 263 | 67 | 357 | 6.3 | $196,047 | $81,549 | $29,286 | $85,212 | 1,020 | 602 | 418 | 125 | 83 | 42 |
| APR | 283 | 60 | 354 | 6.7 | 203,684 | 84,000 | 28,500 | 91,184 | 1,088 | 643 | 445 | 127 | 91 | 36 |
| MAY | 297 | 65 | 355 | 6.4 | 201,472 | 83,676 | 28,360 | 89,436 | 1,089 | 644 | 445 | 132 | 85 | 47 |
| JUN | 297 | 65 | 355 | 6.1 | 198,405 | 82,926 | 29,233 | 86,246 | 1,075 | 634 | 441 | 164 | 108 | 56 |
| JUL | 311 | 62 | 354 | 5.8 | 199,249 | 83,583 | 29,531 | 86,135 | 1,073 | 637 | 436 | 146 | 100 | 46 |
| **AUG$_P$** | **332** | **59** | **353** | **5.8** | **202,403** | **84,636** | **30,057** | **87,710** | **1,089** | **648** | **441** | **153** | **102** | **51** |
| 1983 TOTAL | 2,719 | 623 | | | | | | | | | | 1,393 | 1,021 | 372 |
| 1984 TOTAL | 2,868 | 639 | | | | | | | | | | 1,653 | 1,139 | 514 |
| 8 MONTHS | | | | | | | | | | | | | | |
| 1985 | 2,166 | 481 | | | | | | | | | | 1,087 | 733 | 354 |
| 1984 | 2,034 | 451 | | | | | | | | | | 1,064 | 730 | 334 |
| 1983 | 1,873 | 430 | | | | | | | | | | 841 | 610 | 231 |
| 1982 | 1,335 | 262 | | | | | | | | | | 630 | 441 | 189 |

## LENDER ACTIVITY

LONG-TERM MORTGAGE LOANS CLOSED
By Type of Institution and By Unit Type
(Dollars in millions)

| YEAR AND MONTH | TOTAL Total | Mtg. Bankers[9] | S&Ls | Banks[2] | Life Cos. | 1-4 UNITS Total | Mtg. Bankers[9] | S&Ls | Banks[2] | Life Cos. |
|---|---|---|---|---|---|---|---|---|---|---|
| 1984 | | | | | | | | | | |
| OCT | $23,075 | $ 3,700 | $ 9,643 | $ 8,806 | $ 926 | $ 15,217 | $ 3,110 | $ 7,188 | $ 4,813 | $106 |
| NOV | 21,562 | 3,370 | 9,219 | 7,818 | 1,155 | 13,639 | 3,090 | 6,445 | 4,060 | 44 |
| DEC | 28,852 | 5,250 | 10,619 | 9,414 | 3,569 | 15,873 | 4,090 | 6,914 | 4,789 | 80 |
| 1985 | | | | | | | | | | |
| JAN | 20,183 | 4,004 | 7,922 | 7,323 | 934 | 13,591 | 3,894 | 5,722 | 3,927 | 48 |
| FEB | 20,961 | 4,273 | 7,941 | 7,351 | 1,396 | 12,944 | 3,717 | 5,618 | 3,555 | 54 |
| **MAR$_P$** | **25,406** | **4,333** | **10,681** | **8,350** | **2,042** | **16,517** | **4,037** | **7,887** | **4,502** | **91** |
| 1983 TOTAL | 276,371 | 65,050 | 103,882 | 91,500 | 15,939 | 193,535 | 55,680 | 81,524 | 55,605 | 726 |
| 1984 TOTAL | 297,406 | 53,160 | 129,482 | 97,776 | 16,988 | 196,139 | 44,500 | 96,187 | 54,626 | 826 |
| 3 MONTHS | | | | | | | | | | |
| 1985 | 66,551 | 12,610 | 26,544 | 23,025 | 4,372 | 43,052 | 11,648 | 19,227 | 11,984 | 193 |
| 1984 | 65,350 | 13,870 | 25,697 | 22,966 | 2,817 | 42,702 | 11,310 | 18,977 | 12,240 | 175 |
| 1983 | 54,173 | 15,070 | 17,955 | 18,322 | 2,826 | 38,616 | 12,910 | 13,977 | 11,577 | 152 |
| 1982 | 25,465 | 4,920 | 8,170 | 10,204 | 2,171 | 16,199 | 3,630 | 6,698 | 5,774 | 97 |

## LENDER ACTIVITY (Cont'd.)

### LOANS CLOSED (Cont'd.)

(Dollars in millions)

| YEAR AND MONTH | 5+ UNITS | | | | | NONRESIDENTIAL | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Total | Mtg. Bankers[9] | S&Ls | Banks[2] | Life Cos. | Total | Mtg. Bankers[9] | S&Ls | Banks[2] | Life Cos. |
| 1984 | | | | | | | | | | |
| OCT | $ 1,341 | $ 0 | $ 880 | $ 373 | $ 88 | $ 6,517 | $ 590 | $ 1,575 | $ 3,620 | $ 732 |
| NOV | 1,664 | 0 | 1,098 | 455 | 111 | 6,259 | 280 | 1,676 | 3,303 | 1,000 |
| DEC | 2,488 | 80 | 1,488 | 488 | 432 | 10,491 | 1,080 | 2,217 | 4,137 | 3,057 |
| 1985 | | | | | | | | | | |
| JAN | 1,228 | 36 | 691 | 399 | 102 | 5,364 | 74 | 1,509 | 2,997 | 784 |
| FEB | 1,830 | 378 | 923 | 396 | 133 | 6,187 | 178 | 1,400 | 3,400 | 1,209 |
| **MAR$_P$** | **2,020** | **170** | **1,162** | **511** | **177** | **6,869** | **126** | **1,632** | **3,337** | **1,774** |
| 1983 TOTAL | 19,443 | 3,840 | 8,521 | 5,485 | 1,597 | 63,393 | 5,530 | 13,837 | 30,410 | 13,616 |
| 1984 TOTAL | 22,125 | 1,980 | 13,160 | 5,519 | 1,466 | 79,142 | 6,680 | 20,135 | 37,631 | 14,696 |
| 3 MONTHS | | | | | | | | | | |
| 1985 | 5,079 | 584 | 2,776 | 1,307 | 412 | 18,420 | 378 | 4,541 | 9,734 | 3,767 |
| 1984 | 5,886 | 1,260 | 2,729 | 1,609 | 288 | 16,762 | 1,300 | 3,991 | 9,117 | 2,354 |
| 1983 | 3,739 | 890 | 1,589 | 1,050 | 210 | 11,818 | 1,270 | 2,389 | 5,695 | 2,464 |
| 1982 | 1,589 | 380 | 621 | 457 | 131 | 7,677 | 910 | 851 | 3,973 | 1,943 |

### LONG-TERM COMMITMENT ACTIVITY

By Type of Institution

(Dollars in millions)

| YEAR AND MONTH | ISSUED DURING MONTH | | | | | OUTSTANDING | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Total | Mtg. Bankers[9] | S&Ls | Banks[2] | Life Cos. | Total | Mtg. Bankers[9] | S&Ls | Banks[2] | Life Cos. |
| 1984 | | | | | | | | | | |
| OCT | $ 19,331 | $ 3,910 | $ 10,578 | $ 3,349 | $ 1,494 | $91,118 | $8,370 | $50,624 | $18,288 | $13,836 |
| NOV | 20,830 | 3,430 | 11,549 | 3,317 | 2,534 | 93,002 | 8,190 | 51,651 | 17,957 | 15,204 |
| DEC | 22,227 | 5,480 | 10,872 | 3,810 | 2,065 | 91,761 | 8,700 | 50,483 | 18,695 | 13,883 |
| JAN | n.a. | n.a. | 9,207 | 3,548 | 1,593 | n.a. | n.a. | 49,556 | 16,711 | 14,123 |
| FEB | n.a. | n.a. | 10,564 | 3,624 | 2,665 | n.a. | n.a. | 50,899 | 16,994 | 15,631 |
| **MAR$_P$** | **n.a.** | **n.a.** | **14,217** | **7,831** | **2,806** | **n.a.** | **n.a.** | **53,175** | **21,748** | **14,496** |
| 1983 TOTAL | 260,343 | 81,070 | 123,361 | 38,195 | 17,717 | | | | | |
| 1984 TOTAL | 264,193 | 50,100 | 146,184 | 47,065 | 20,844 | | | | | |
| 3 MONTHS | | | | | | | | | | |
| 1985 | n.a. | n.a. | 33,988 | 15,003 | 6,934 | | | | | |
| 1984 | 63,169 | 13,930 | 32,604 | 10,884 | 5,751 | | | | | |
| 1983 | 54,901 | 21,130 | 23,117 | 7,086 | 3,568 | | | | | |
| 1982 | 24,721 | 10,150 | 8,452 | 4,437 | 1,682 | | | | | |

### MORTGAGE INSURANCE

(Units in thousands, Dollars in millions)

| YEAR AND MONTH | APPLICATIONS RECEIVED (Units) | | | | LOANS INSURED | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Total | FHA[3] | VA | Private | Total | | FHA(203) | | VA | | Private | |
| | | | | | Units | Amt. | Units | Amt. | Units | Amt. | Units | Amt. |
| 1985 | | | | | | | | | | | | |
| MAR | 168 | 65 | 16 | 87 | 91 | $ 5,824 | 27 | $ 1,504 | 13 | $ 826 | 51 | $ 3,494 |
| APR | 188 | 67 | 19 | 102 | 110 | 7,103 | 35 | 2,007 | 14 | 944 | 61 | 4,152 |
| MAY | 189 | 70 | 19 | 100 | 98 | 6,429 | 20 | 1,185 | 13 | 868 | 65 | 4,376 |
| JUN | 192 | 80 | 19 | 93 | 112 | 7,330 | 36 | 2,118 | 14 | 961 | 62 | 4,251 |
| JUL | 218 | 93 | 24 | 101 | 96 | 6,558 | 11 | 656 | 16 | 1,104 | 69 | 4,798 |
| **AUG$_P$** | **216** | **88** | **25** | **103** | **114** | **7,646** | **28** | **1,644** | **19** | **1,275** | **67** | **4,727** |
| 1983 TOTAL | 1,921 | 777 | 261 | 883 | 1,302 | 79,469 | 367 | 19,141 | 283 | 17,965 | 652 | 42,363 |
| 1984 TOTAL | 1,862 | 477 | 180 | 1,205 | 1,345 | 86,777 | 200 | 10,644 | 199 | 12,730 | 946 | 63,403 |
| 8 MONTHS | | | | | | | | | | | | |
| 1985 | 1,452 | 578 | 152 | 722 | 790 | 51,652 | 187 | 10,819 | 114 | 7,569 | 489 | 33,264 |
| 1984 | 1,287 | 285 | 143 | 859 | 972 | 62,641 | 155 | 8,273 | 149 | 9,577 | 668 | 44,791 |
| 1983 | 1,382 | 593 | 244 | 545 | 780 | 46,405 | 240 | 12,000 | 174 | 10,894 | 366 | 23,511 |
| 1982 | 553 | 195 | 81 | 277 | 337 | 18,265 | 64 | 2,792 | 57 | 3,280 | 216 | 12,193 |

## SECONDARY MARKET ACTIVITY

(Dollars in millions)

| YEAR AND MONTH | FNMA Portfolio Comm. | FNMA Portfolio Purc. | FNMA Mortgage-Backed Securities Outstanding | FNMA Mortgage-Backed Securities Issued | FHLMC Comm. to Sell | FHLMC Comm. to Buy | FHLMC Mtg. Purc. | FHLMC Mtg. Sold | GNMA Pass-Through Securities Applications | GNMA Pass-Through Securities Issued |
|---|---|---|---|---|---|---|---|---|---|---|
| 1985 | | | | | | | | | | |
| MAR | $ 1,636 | $ 2,256 | $39,370 | $ 1,087 | $ 3,580 | $ 3,453 | $ 3,232 | $ 3,115 | $ 3,757 | $ 2,772 |
| APR | 1,921 | 1,515 | 40,952 | 1,856 | 4,672 | 4,141 | 2,201 | 1,973 | 2,230 | 2,558 |
| MAY | 2,074 | 1,703 | 41,613 | 1,004 | 3,375 | 3,701 | 3,591 | 4,240 | 6,073 | 3,595 |
| JUN | 1,593 | 1,904 | 42,755 | 1,519 | 4,101 | 5,172 | 4,106 | 3,281 | 3,324 | 3,609 |
| JUL | 1,583 | 1,918 | 43,891 | 1,527 | 2,714 | 3,258 | 4,626 | 4,385 | 9,086 | 3,859 |
| **AUG** | **1,797** | **1,921** | **45,668** | **2,207** | **3,154** | **3,958** | **3,602** | **2,685** | **5,872** | **4,153** |
| 1983 TOTAL | 18,606 | 17,558 | — | 13,081 | 30,921 | 32,846 | 22,952 | 21,376 | 70,461 | 50,495 |
| 1984 TOTAL | 21,008 | 16,722 | — | 13,546 | 30,743 | 32,601 | 21,885 | 20,489 | 36,101 | 27,859 |
| 8 MONTHS | | | | | | | | | | |
| 1985 | 13,798 | 14,718 | — | 11,933 | 27,988 | 31,569 | 26,802 | 24,088 | 39,097 | 25,900 |
| 1984 | 13,320 | 11,231 | — | 8,811 | 17,153 | 18,166 | 11,380 | 10,451 | 24,641 | 19,962 |
| 1983 | 11,517 | 11,559 | — | 10,090 | 21,815 | 23,168 | 14,831 | 14,119 | 51,394 | 36,087 |
| 1982 | 13,349 | 7,821 | — | 6,522 | 20,192 | 20,180 | 14,080 | 14,063 | 16,352 | 9,149 |

## INTEREST RATES AND YIELDS

| YEAR AND MONTH | 1- to 4-UNIT MORTGAGES: FHA OPINION SURVEY FHA NEW[4] | FHA OPINION SURVEY CONVENTIONAL New | FHA OPINION SURVEY CONVENTIONAL Existing | FHLBB SURVEY CONVENTIONAL New | FHLBB SURVEY CONVENTIONAL Existing | FNMA Mandatory Delivery Yields ARM (5 yr. Treas.) | FNMA Mandatory Delivery Yields Conv. | APARTMENTS[5] |
|---|---|---|---|---|---|---|---|---|
| 1985 | | | | | | | | |
| APR | 12.97% | 13.01% | 13.01% | 12.05% | 12.11% | 12.525% | 12.669% | 14.16% |
| MAY | 12.28 | 12.49 | 12.50 | 12.06 | 12.09 | 12.038 | 12.281 | 13.34 |
| JUN | 11.89 | 12.06 | 12.06 | 11.75 | 11.76 | 11.125 | 11.600 | 13.38 |
| JUL | 12.12 | 12.09 | 12.10 | 11.38 | 11.48 | 11.000 | 11.569 | 13.22 |
| AUG | 11.99 | 12.06 | 12.04 | 11.24 | 11.33 | 11.238 | 11.719 | 13.23 |
| **SEP$_P$** | **n.a.** | **n.a.** | **n.a.** | **11.15** | **11.25** | **11.200** | **11.775** | **13.21** |

| YEAR AND MONTH | CURRENT SECONDARY MARKET YIELDS GNMA[6] | FNMA[6] | FHLMC[6] | SELECTED SECURITIES A-Rated[7] Utility | U.S. Government 10-yr. | U.S. Government 26-wk. | Prime Comm. Paper 90-119 Days |
|---|---|---|---|---|---|---|---|
| 1985 | | | | | | | |
| APR | 12.44% | — | — | 12.75% | 11.43% | 8.31% | 8.37% |
| MAY | 11.89 | — | — | 12.25 | 10.85 | 7.65 | 7.83 |
| JUN | 11.20 | 11.20 | 11.23 | 11.62 | 10.16 | 7.09 | 7.35 |
| JUL | 11.26 | 11.30 | 11.27 | 11.64 | 10.31 | 7.20 | 7.56 |
| AUG | 11.39 | 11.38 | 11.42 | 11.77 | 10.33 | 7.32 | 7.72 |
| **SEP** | **11.41** | **11.43** | **11.47** | **11.87** | **10.37** | **7.27** | **7.83** |

### SPREADS (Basis Points)

| YEAR AND MONTH | FHA New Minus A-Utility | GNMA Minus 10-Yr. Govt. | FNMA Minus 10-Yr. Govt. | FHLMC Minus 10-Yr. Govt. |
|---|---|---|---|---|
| 1985 | | | | |
| APR | 22 | 101 | — | — |
| MAY | 3 | 104 | — | — |
| JUN | 25 | 104 | 104 | 107 |
| JUL | 35 | 95 | 99 | 96 |
| AUG | 22 | 106 | 105 | 109 |
| **SEP** | **n.a.** | **104** | **106** | **110** |

n.a.—Not available. p—Preliminary.

[1] From the National Association of Realtors "Existing Home Sales" series.

[2] Mutual Savings Banks and Commercial Banks.

[3] FHA applications received includes the Direct Endorsement Program starting in 1984.

[4] Secondary market gross yields.

[5] Federal Home Loan Mortgage Corp. Existing Construction only.

[6] Securities for 0 to 30 day delivery.

[7] Prior to January 1984 this rate was for Aaa-rated New Issue Utility Bonds.

[8] Year-to-date seasonally adjusted series not calculated.

[9] 1985 data on mortgage bankers obtained from the HUD Survey of Mortgage Lending Activity.

# MORTGAGE BANKING ACTIVITY

## LONG-TERM MORTGAGE LOANS CLOSED[1]

| YEAR AND MONTH | NOT SEASONALLY ADJUSTED | | | | | | | | | SEASONALLY ADJUSTED | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | 1-4 Units | | | | 5+ Units | | | | | | | |
| | Total | Total | FHA | VA | Conv. | Total | FHA | Conv. | Non-[3] res. | Total[2] | 1-4 Units | 5+ Units | Non-[3] res. |
| 1984 | | | | | | | | | | | | | |
| JUL | $ 3,760 | $ 3,330 | $ 800 | $ 530 | $ 2,000 | $ 0 | $ 0 | $ 0 | $ 430 | $3,530 | $2,960 | $ 0 | $460 |
| AUG | 3,570 | 3,070 | 520 | 380 | 2,170 | 0 | 0 | 0 | 500 | 3,120 | 2,600 | 0 | 510 |
| SEP | 3,050 | 2,400 | 550 | 380 | 1,470 | 70 | 70 | 0 | 580 | 3,380 | 2,500 | 120 | 780 |
| OCT | 3,700 | 3,110 | 820 | 470 | 1,820 | 0 | 0 | 0 | 590 | 3,600 | 2,920 | 0 | 750 |
| NOV | 3,370 | 3,090 | 820 | 470 | 1,800 | 0 | 0 | 0 | 280 | 3,890 | 3,610 | 0 | 280 |
| **DEC** | **5,250** | **4,090** | **1,280** | **690** | **2,120** | **80** | **0** | **80** | **1,080** | **4,880** | **3,860** | **70** | **770** |
| 1983 Total | 65,050 | 55,680 | 20,620 | 12,570 | 22,490 | 3,840 | 810 | 3,030 | 5,530 | | | | |
| 1984 Total | 53,170 | 44,500 | 10,850 | 7,130 | 26,520 | 1,980 | 120 | 1,860 | 6,680 | | | | |
| 12 MONTHS[5] | | | | | | | | | | | | | |
| 1984 | 53,170 | 44,500 | 10,850 | 7,130 | 26,520 | 1,980 | 120 | 1,860 | 6,680 | | | | |
| 1983 | 65,050 | 55,680 | 20,620 | 12,570 | 22,490 | 3,840 | 810 | 3,030 | 5,530 | | | | |
| 1982 | 29,250 | 24,440 | 8,510 | 5,160 | 10,770 | 1,580 | 640 | 940 | 3,230 | | | | |
| 1981 | 33,470 | 25,830 | 8,380 | 6,200 | 11,250 | 1,740 | 770 | 970 | 5,910 | | | | |

## COMMITMENT ACTIVITY: LONG-TERM MORTGAGE LOANS[1]

| YEAR AND MONTH | COMMITMENTS DURING MONTH | | | | | | | | OUTSTANDING COMMITMENTS END OF MONTH | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | To Borrowers | | | | From Investors | | | | To Borrowers | | | From Investors | | |
| | Total | 1-4 Units | 5+ Units | Non-[3] res. | Total | 1-4 Units | 5+ Units | Non-[3] res. | 1-4 Units | 5+ Units | Non-[3] res. | 1-4 Units | 5+ Units | Non-[3] res. |
| 1984 | | | | | | | | | | | | | | |
| JUL | $ 4,060 | $ 2,940 | $ 0 | $1,120 | $ 4,050 | $ 3,580 | $ 20 | $ 450 | $10,840 | $ 70 | $570 | $9,870 | $250 | $1,570 |
| AUG | 2,920 | 2,630 | 0 | 290 | 4,220 | 3,380 | 10 | 830 | 7,430 | 40 | 500 | 7,730 | 210 | 1,600 |
| SEP | 2,910 | 2,640 | 30 | 240 | 2,760 | 2,400 | 80 | 280 | 7,350 | 300 | 500 | 7,460 | 480 | 800 |
| OCT | 3,910 | 3,240 | 0 | 670 | 4,550 | 4,090 | 30 | 430 | 7,660 | 170 | 540 | 8,400 | 370 | 740 |
| NOV | 3,430 | 2,820 | 0 | 610 | 3,880 | 2,760 | 170 | 950 | 7,460 | 40 | 690 | 6,940 | 270 | 1,050 |
| **DEC** | **5,480** | **4,090** | **430** | **960** | **4,850** | **3,910** | **80** | **860** | **7,850** | **100** | **750** | **7,810** | **260** | **1,170** |
| 1983 TOTAL | 81,070 | 67,740 | 4,310 | 9,020 | 79,450 | 64,240 | 5,770 | 9,440 | | | | | | |
| 1984 TOTAL | 50,100 | 41,420 | 510 | 8,170 | 55,550 | 43,820 | 3,160 | 8,570 | | | | | | |
| 12 MONTHS[5] | | | | | | | | | | | | | | |
| 1984 | 50,100 | 41,420 | 510 | 8,170 | 55,550 | 43,820 | 3,160 | 8,570 | | | | | | |
| 1983 | 81,070 | 67,740 | 4,310 | 9,020 | 79,450 | 64,240 | 5,770 | 9,440 | | | | | | |
| 1982 | 47,800 | 36,760 | 3,330 | 7,710 | 46,740 | 34,380 | 3,960 | 8,400 | | | | | | |
| 1981 | 36,700 | 30,170 | 1,200 | 5,330 | 44,700 | 30,410 | 1,740 | 12,550 | | | | | | |

## OUTSTANDING END OF MONTH INVENTORY[1]

| YEAR AND MONTH | | 1-4 Units | | | | 5+ Units | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Total | Total | FHA | VA | Conv. | Total | FHA | Conv. | Non-res.[3] |
| 1984 | | | | | | | | | |
| JUL | $8,870 | $6,990 | $1,480 | $1,090 | $4,420 | $730 | $0 | $730 | $1,150 |
| AUG | 7,070 | 5,520 | 1,060 | 740 | 3,720 | 640 | 0 | 640 | 910 |
| SEP | 7,390 | 5,490 | 1,010 | 680 | 3,800 | 640 | 0 | 640 | 1,260 |
| OCT | 8,060 | 6,350 | 1,190 | 870 | 4,290 | 600 | 0 | 600 | 1,110 |
| NOV | 8,010 | 6,280 | 1,190 | 850 | 4,240 | 590 | 0 | 590 | 1,140 |
| **DEC** | **6,840** | **6,090** | **1,500** | **980** | **3,610** | **170** | **0** | **170** | **580** |

## MORTGAGE BANKING ACTIVITY (Cont'd.)

| YEAR AND MONTH | COVERAGE[4] 1-4 Units | COVERAGE[4] 5+ Units | COVERAGE[4] Non-[3] res. | SERVICING VOLUME[1] Total | SERVICING VOLUME[1] 1-4 Units | SERVICING VOLUME[1] 5+ Units | SERVICING VOLUME[1] Non.[3] res. | NOTES PAYABLE[1] (End of Month Balances) Total | Comm. Paper | To Banks | To Others |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 1984 | | | | | | | | | | | |
| JUL | 55% | 31% | 91% | $421,420 | $317,600 | $63,980 | $39,840 | $41,960 | $6,190 | $12,710 | $23,060 |
| AUG | 60 | 31 | 113 | 363,570 | 282,400 | 42,060 | 39,110 | 47,940 | 5,750 | 13,220 | 28,970 |
| SEP | 58 | 51 | 45 | 381,070 | 302,840 | 39,300 | 38,930 | 59,220 | 4,520 | 14,240 | 40,460 |
| OCT | 60 | 48 | 45 | 417,780 | 339,960 | 40,660 | 37,160 | 57,230 | 4,830 | 17,070 | 35,330 |
| NOV | 51 | 43 | 57 | 422,490 | 350,580 | 39,790 | 32,120 | 54,180 | 4,820 | 19,180 | 30,180 |
| **DEC** | **56** | **96** | **88** | **385,270** | **321,620** | **33,110** | **30,540** | **42,280** | **8,390** | **23,680** | **10,210** |

### CONSTRUCTION AND LAND LOAN ACTIVITY[1]

| YEAR AND MONTH | CONSTRUCTION LOANS CLOSED Total | 1-4 Units | 5+ Units | Non-[3] res. | DISBURSEMENTS DURING MONTH Total | 1-4 Units | 5+ Units | Non-[3] res. | Land Loans | END OF MONTH INVENTORY Total | 1-4 Units | 5+ Units | Non-[3] res. | Land Loans |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1984 | | | | | | | | | | | | | | |
| JUL | $790 | $130 | $210 | $450 | $280 | $ 70 | $10 | $200 | $180 | $2,760 | $ 900 | $240 | $1,620 | $1,120 |
| AUG | 410 | 110 | 130 | 170 | 100 | 60 | 0 | 40 | 90 | 2,200 | 790 | 190 | 1,220 | 830 |
| SEP | 440 | 100 | 160 | 180 | 100 | 50 | 10 | 40 | 120 | 2,150 | 790 | 180 | 1,180 | 800 |
| OCT | 400 | 210 | 100 | 90 | 90 | 40 | 10 | 40 | 130 | 2,180 | 780 | 220 | 1,180 | 870 |
| NOV | 210 | 140 | 50 | 20 | 170 | 110 | 20 | 40 | 240 | 3,520 | 1,380 | 410 | 1,730 | 2,260 |
| **DEC** | **470** | **270** | **120** | **80** | **430** | **220** | **30** | **180** | **470** | **9,240** | **3,790** | **790** | **4,660** | **3,440** |

### COMMITMENTS TO BORROWERS: AND LAND CONSTRUCTION LOANS[1]

| YEAR AND MONTH | ISSUED DURING MONTH Total | 1-4 Units | 5+ Units | Non-[3] res. | END OF MONTH BALANCES Total | 1-4 Units | 5+ Units | Non-[3] res. |
|---|---|---|---|---|---|---|---|---|
| 1984 | | | | | | | | |
| JUL | $1,730 | $130 | $ 60 | $1,540 | $4,090 | $870 | $470 | $2,750 |
| AUG | 770 | 190 | 80 | 500 | 3,680 | 850 | 460 | 2,370 |
| SEP | 760 | 100 | 80 | 580 | 4,170 | 760 | 580 | 2,830 |
| OCT | 710 | 150 | 160 | 400 | 3,820 | 860 | 590 | 2,370 |
| NOV | 380 | 140 | 70 | 170 | 3,230 | 680 | 430 | 2,120 |
| **DEC** | **790** | **200** | **10** | **580** | **3,910** | **930** | **280** | **2,700** |

Notes: [1] All dollar amounts are in millions.

[2] Total is seasonally adjusted separately from components. Total, therefore, may not equal sum of parts.

[3] Series labeled non-residential are also inclusive of farm data.

[4] Percent coverage equals outstanding commitments received from investors divided by the sum of outstanding end of month inventory and outstanding commitments issued to borrowers, all multiplied by 100.

[5] Year-to-date seasonally adjusted series not calculated.